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SUBJECT: ZAGREB DAILY REPORT: DECEMBER 29, 2009

1.(U) OFFICIAL ELECTION RESULTS CONFIRMED; OSCE SAYS ELECTION MET INTERNATIONAL STANDARDS: The State Electoral Commission (DIP) on December 28 published official results of the recent presidential vote, which show that 1,975,909 out of a total of 4,495,233 eligible voters cast their ballots at 6,865 polling stations in Croatia and 55 other countries, which puts the turnout at 43.96 percent. Since none of the candidates won the majority of the votes, DIP established that conditions had been met to hold a run-off election for the President of the Republic on January 10, 2010. Candidates competing in the runoff are Ivo Josipovic of the Social Democratic Party (SDP) with 640,594 votes won in the first election round, and second place finisher, independent candidate Milan Bandic with 293,068 votes. The OSCE Limited Election Observation Mission in Croatia concluded that the first round of Croatia's presidential elections met democratic standards overall, however, certain issues remain to be addressed such as campaign finance, voter registers, and media coverage of the elections. The Limited Election Observation Mission will remain in Croatia to monitor the run-off, and will compile a final report two months later with recommendations for improvements to Croatia's electoral system.

2.(U) JOSIPOVIC CAMPAIGN SHORING UP SUPPORT: SDP presidential candidate Ivo Josipovic has already secured several key endorsements that will bolster his chances in the runoff election. Perhaps most importantly, incumbent, and ever-popular President Stjepan Mesic hinted his support for Josipovic, saying that, if elected, Josipovic would abide by the Constitution and the law, while he criticized Milan Bandic for lack of transparency of his campaign funding, his advocacy of establishing a separate, Croat-majority entity in neighboring Bosnia and Herzegovina, and his lack of knowledge of English. Meanwhile, Darinko Kosor, President of the Croatian Social Liberal Party (HSLs), said December 28 that the HSLs is likely to support Josipovic in the January 10 presidential run-off. He indicated the party would make a formal decision at their December 29 party meeting. Similarly, Ivan Jakovic, President of the Istrian Democratic Party (IDS) and the IDS presidential candidate, Damir Kajin announced December 28 that they would recommend the IDS support Josipovic in the run-off. Independent candidate, and fourth place finisher, Nadan Vidosevic also threw his support behind Josipovic. While the Croatian People's Party (HNS), whose candidate Vesna Pusic finished fifth, is likely to decide later this week its position on the run-off candidates. Local media speculate that HNS will likely back Josipovic.

3.(U) BANDIC CAMPAIGN FACING UPHILL BATTLE: Zagreb Mayor Milan Bandic garnered only the support from independent candidates Dragan Primorac and Boris Miksic. The independent, maverick mayor of Split, Zeljko Kerum also announced his endorsement of Bandic for president. However, Bandic's chances in the second round received a blow when the Croatian Democratic Union (HDZ) announced that it will not support either candidate in the run-off. Prime Minister Jadranka Kosor, who is also the HDZ President, said early

December 28 that the HDZ doesn't have a candidate whom we could recommend in the second round vote to our electorate. Most HDZ officials have indicated they would respect their civic obligations and vote in the run-off, but none have thus far offered even passive support to either campaign.

4.(U) NO LIGHT YET AT END OF THE ECONOMIC TUNNEL: Official statistics for the third quarter of 2009 show GDP declined in real terms by 5.7 percent, a slight improvement over the 6.7 and 6.3 percent declines of the first and second quarter, respectively. Strong declines in imports, exports, personal spending, and fixed capital investment continue to be the main factors behind Croatia's economic weakness. Barring a surprise fourth quarter turnaround, Croatia's 2009 GDP will be greater than 5 percent.

WALKER